AUSTRALIAN ENERGY REGULATOR

APA Victorian Transmission System - Advance capex application for expansion of the South West Pipeline

11 December 2025

Topic	Presenter	Duration
Welcome and acknowledgement of country	Jarrod Ball	5 mins
AER decision steps and timeframe	Kris Funston – Executive General Manager, Networks (AER)	5 mins
Presentation of APA's advance capex proposal	Beth Griggs – Group Executive, Legal, Governance and Regulatory (APA) Hamish Wagner – Head of Development, East Coast Gas Grid (APA)	10 mins
AEMO modelling presentation	Luke Garland – Manager Gas System Operations (AEMO)	15 mins
Q&A	Facilitated by Kris Funston	20 mins
Close	Jarrod Ball	5 mins

National Gas Rules rule 80 - Advance capex determinations

- Rule 80 allows Network Service Providers, such as APA, to be given confidence of cost recovery for time-sensitive projects.
- Without a rule 80 AER determination, APA could invest but would risk being unable to recover its costs.
- Our role is to determine whether APA's proposed project meets the new capital expenditure criteria in r.79.
- We can only make a determination, or not, on the project APA has proposed.
- We do not have authority to direct APA to undertake a different project.
- For an alternative project to be approved by AER, we would need a revised proposal from APA.

AER decision steps and timeframe

This process is flexible, with opportunity to incorporate a revised proposal from APA.

- APA proposal received 31 October 2025, with updates to its application on 10 and 14 November 2025
- Application published on the AER website – 17 November 2025
- Online public forum – 11 December 2025
- Submissions on APA proposal close – 19 January 2026
- AER draft decision – March-April 2026
- Submissions on AER draft decision close April-May 2026
- AER final decision – June-July 2026

VTS SWP expansion Rule 80 application

AER Public Forum

11 December 2025

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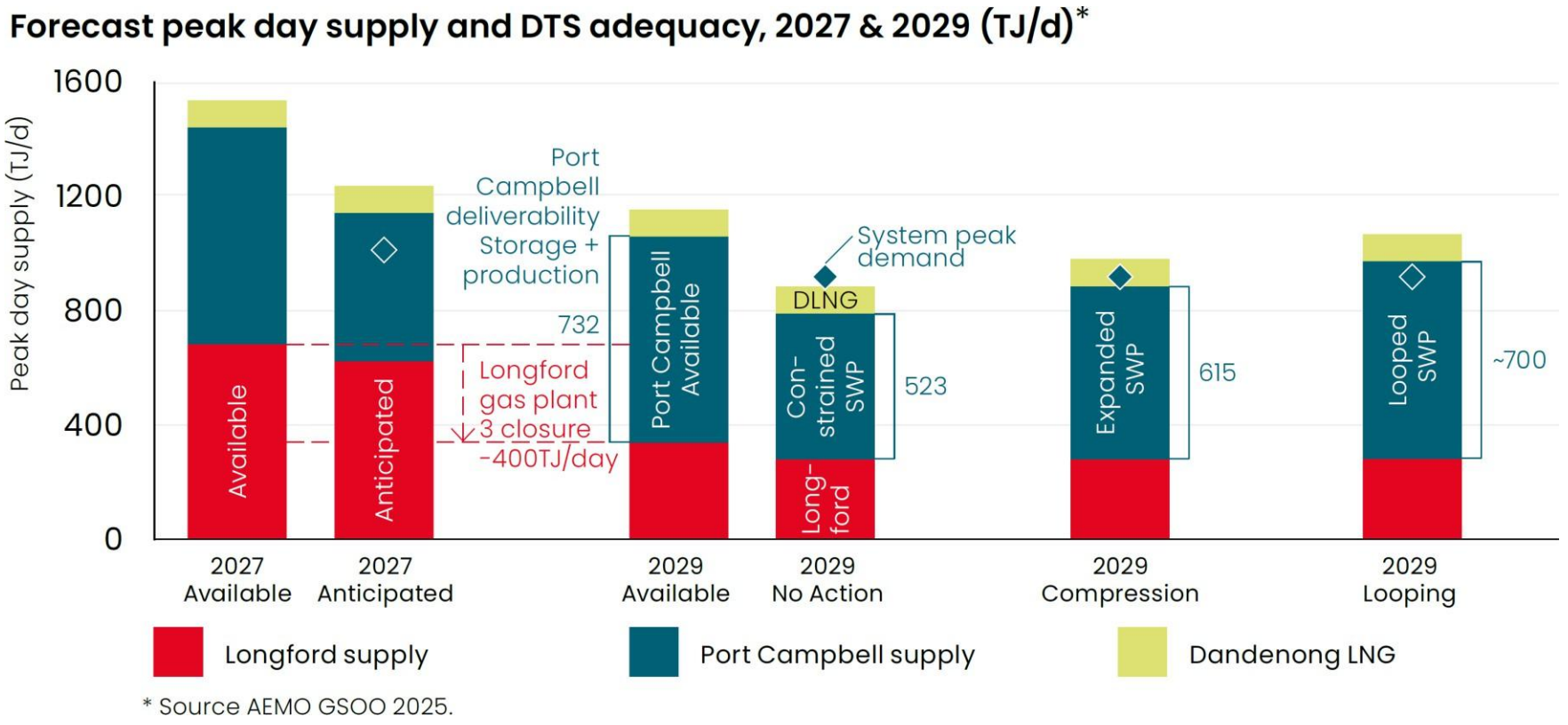
Problem statement: Insufficient capacity to meet system peak demand

- Gas supply from Longford is falling. Without action, the VTS will not have capacity to meet system peak demand
- More gas is available at Port Campbell, but we cannot access it without augmenting the SWP
- Three options have been proposed to increase the capacity of the SWP and enable the VTS to meet system demand



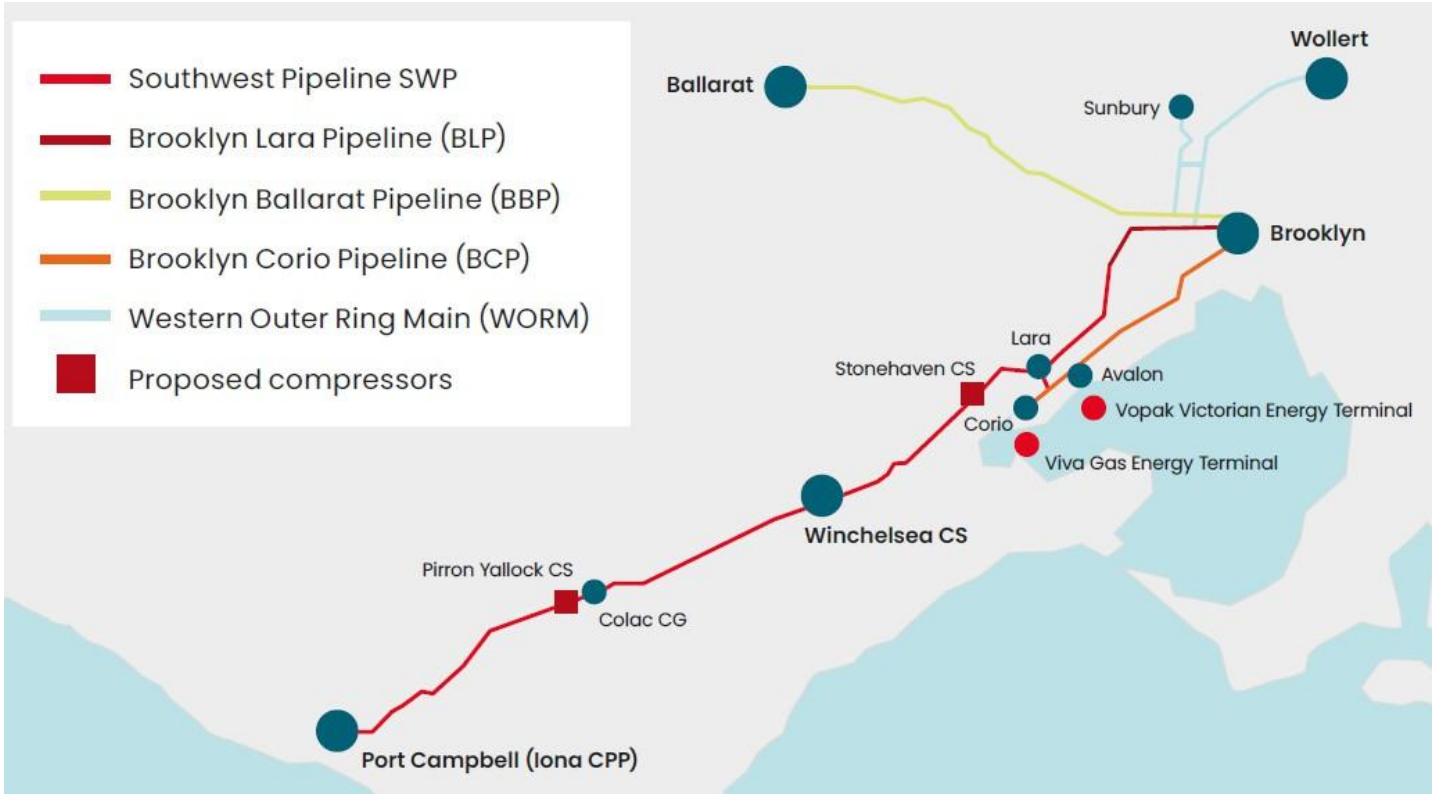
Secure reliable gas supply

during peak demand periods

Enable full utilisation

of Iona gas storage and Otway Basin production

Our Proposal



Our preferred solution is compression-based expansion at a proposed cost of $195 million

Two new compressor stations
at Pirron Yallock (Irrewillipe) and Stonehaven

Reconfiguration of existing compressors
at Winchelsea to operate in parallel

This approach is preferred over pipeline looping due to:

- Faster delivery timeline
- Lower capital cost & complexity
- Availability of compressor equipment

Options to address the problem: We evaluated several expansion options

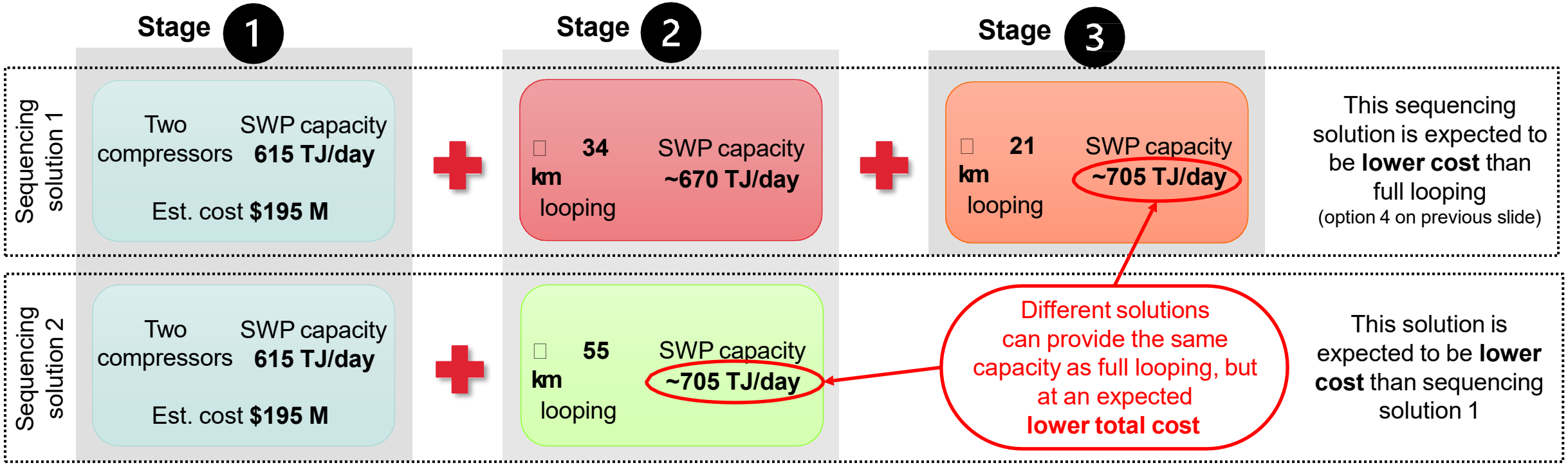
The estimated costs for these options range from **$195 million** to around **$500 million**

	Option 1 Do nothing	Option 2 Compression	Option 3 Partial looping	Option 4 Full looping
Est. cost	$0	$195.3m	$331.2m	Around $500m
Capacity	523 TJ / day	615 TJ / day	615 TJ / day	Over 700 TJ / day
Description	This option requires no capital expenditure	Install two additional compressors, one at Pirron Yallock (Irrewillipe) and another at Stonehaven	88km pipeline duplication	Full 144km pipeline duplication
Benefits		• Faster delivery timeline, supporting security of supply • Lower capital cost and project complexity • Availability of compressor equipment and land enabling earlier deployment • Meets NER requirements.	While requiring a longer lead time, this option offers greater long-term benefits including: • Increased capacity • Increased linepack, and • Support for future gas-powered generation development.	This option offers even greater long-term benefits that will future proof the system for future demand and supply sources.
Risks		• Regulatory approval takes longer than expected, delaying order placement – minimal timeline risk • Early procurement leads to a need to modify equipment – cost risk	• Regulatory approval takes longer than expected – much greater timeline risk • Securing access and approvals – high exposure to timeline risk • Longer project delivery – increases exposure to potential weather impacts (timeline risk) and cost increases	
Operational date	Risks of winter peak shortfalls will remain	Winter 2029	Winter 2029	Due to complexity, Winter 2029 might be missed

Recommended option

Compression is a low-cost starting point – further capacity can be added

For example:



To help reduce costs, the areas to be looped can be selected to:

- Minimise ecological disturbance
- Avoid sensitive areas
- Avoid rock & minimise crossings
- Minimise land access issues
- Optimise looping pipeline size
- Meet future load centres

We welcome any feedback via
yoursay@apa.com.au

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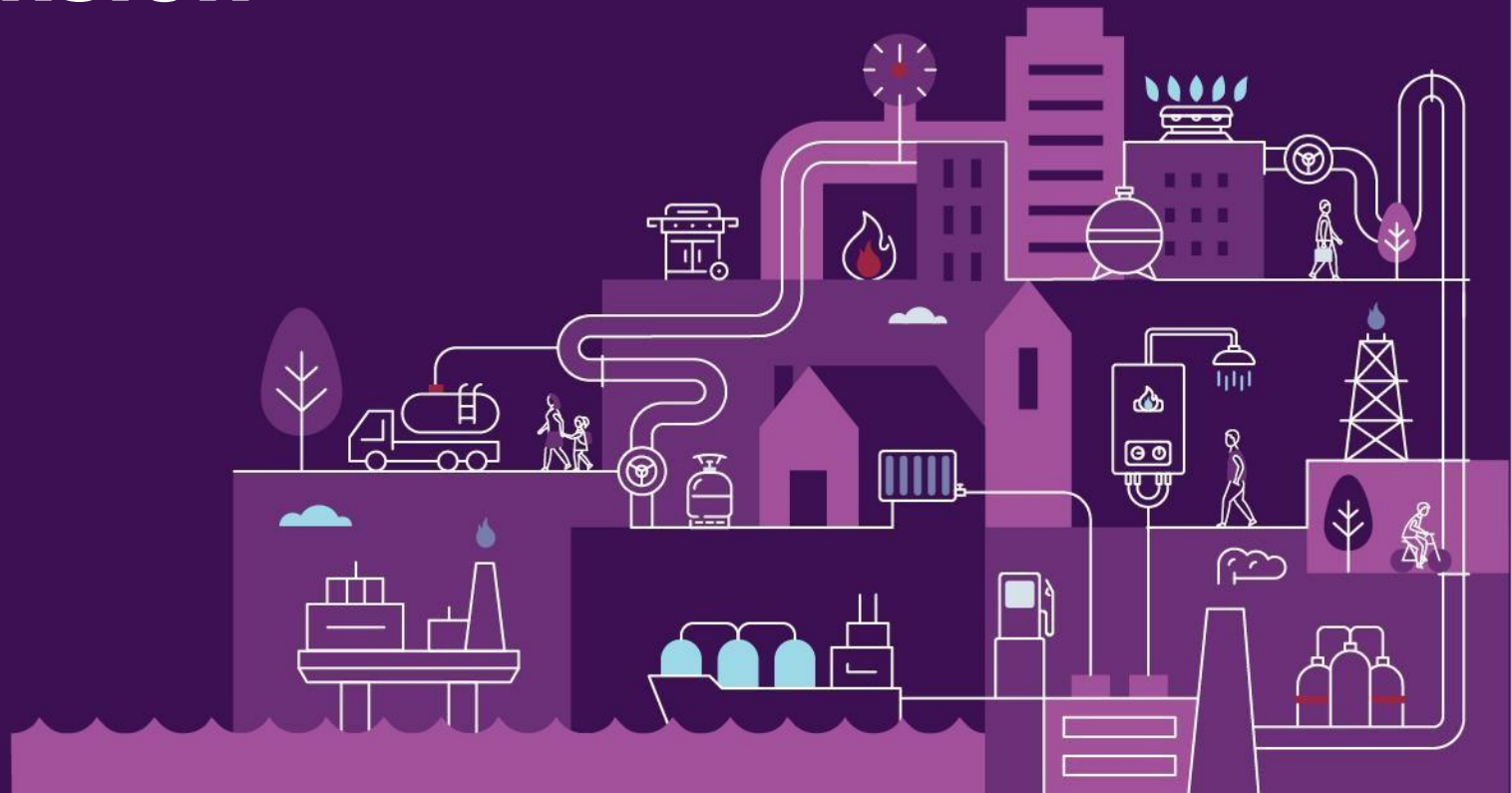
AEMO assessment of South West Pipeline expansion options

Presented by Luke Garland

11 December 2025



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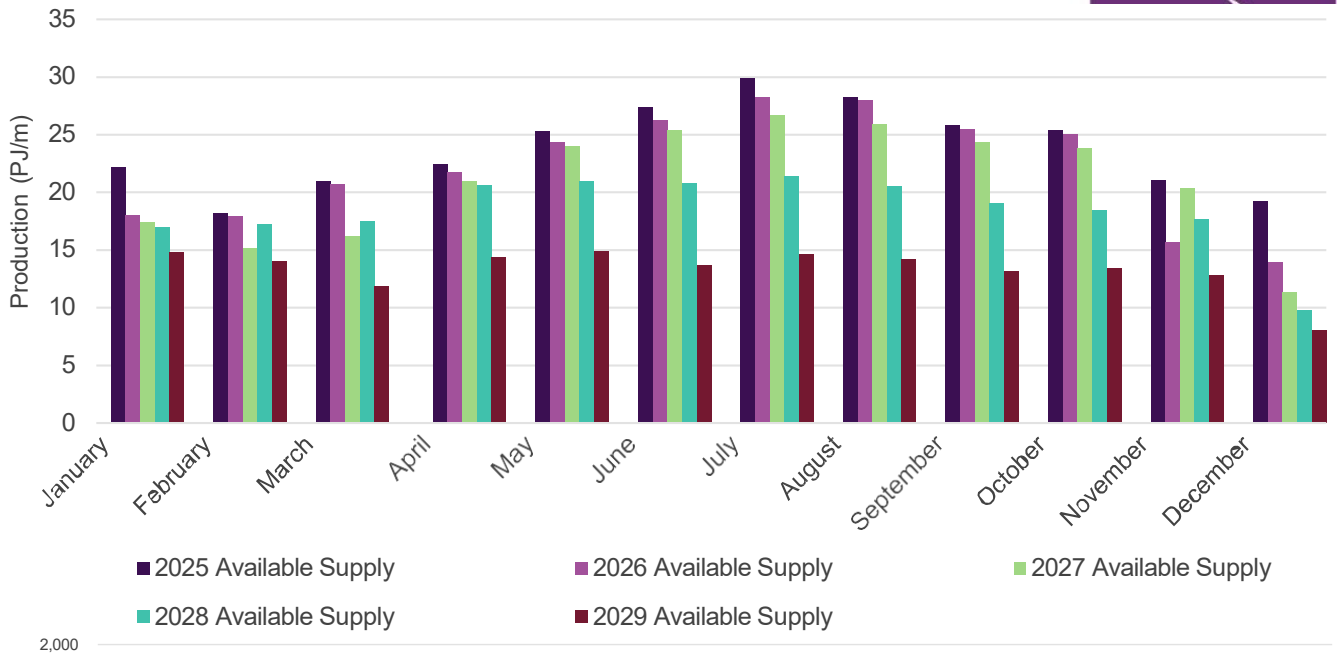
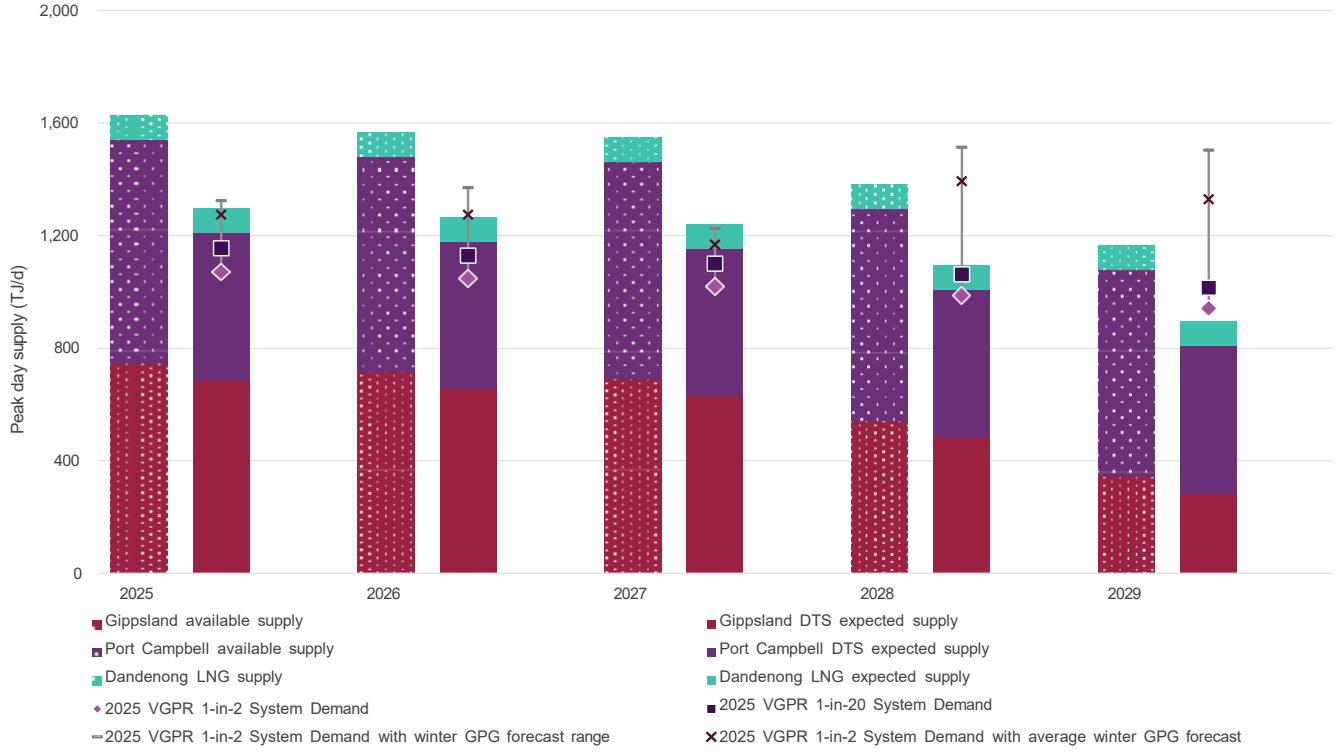
Agenda

1. Forecast Supply Gap
2. Potential expansion options
3. Potential Project Interactions
4. Looping vs Compression considerations

Supply Gap

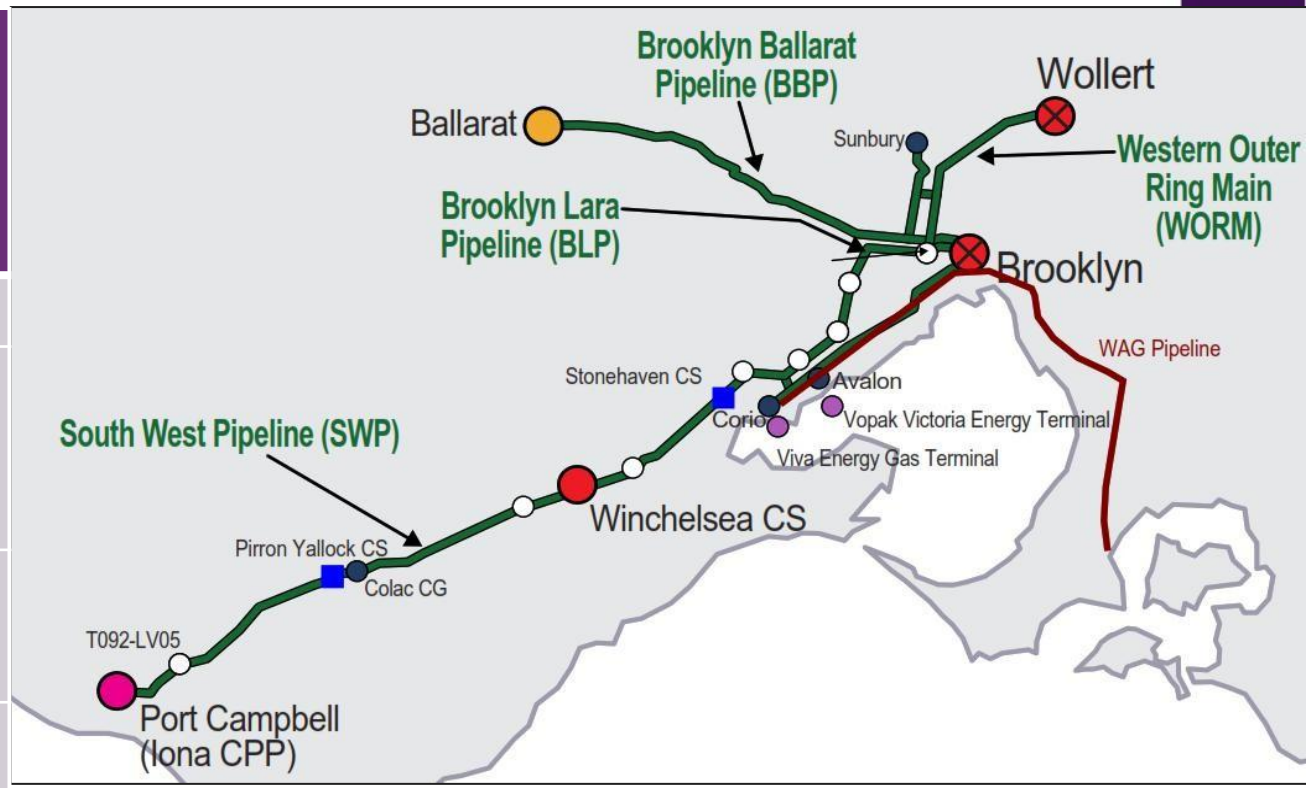
- Flattening production to occur over the next 5 years with less winter peaking production year by year increasing the reliance on storage
- Two shortfall types
  - Seasonal shortfall during winter with depleted storage
  - Insufficient gas supply capacity to supply system and GPG on peak demand days
- Actual total peak demand for the DTS in 2025 occurred on 26 June of ~1,152 TJ
  - 853 TJ DTS system demand, 299 TJ DTS GPG and an additional 83 TJ non-DTS GPG





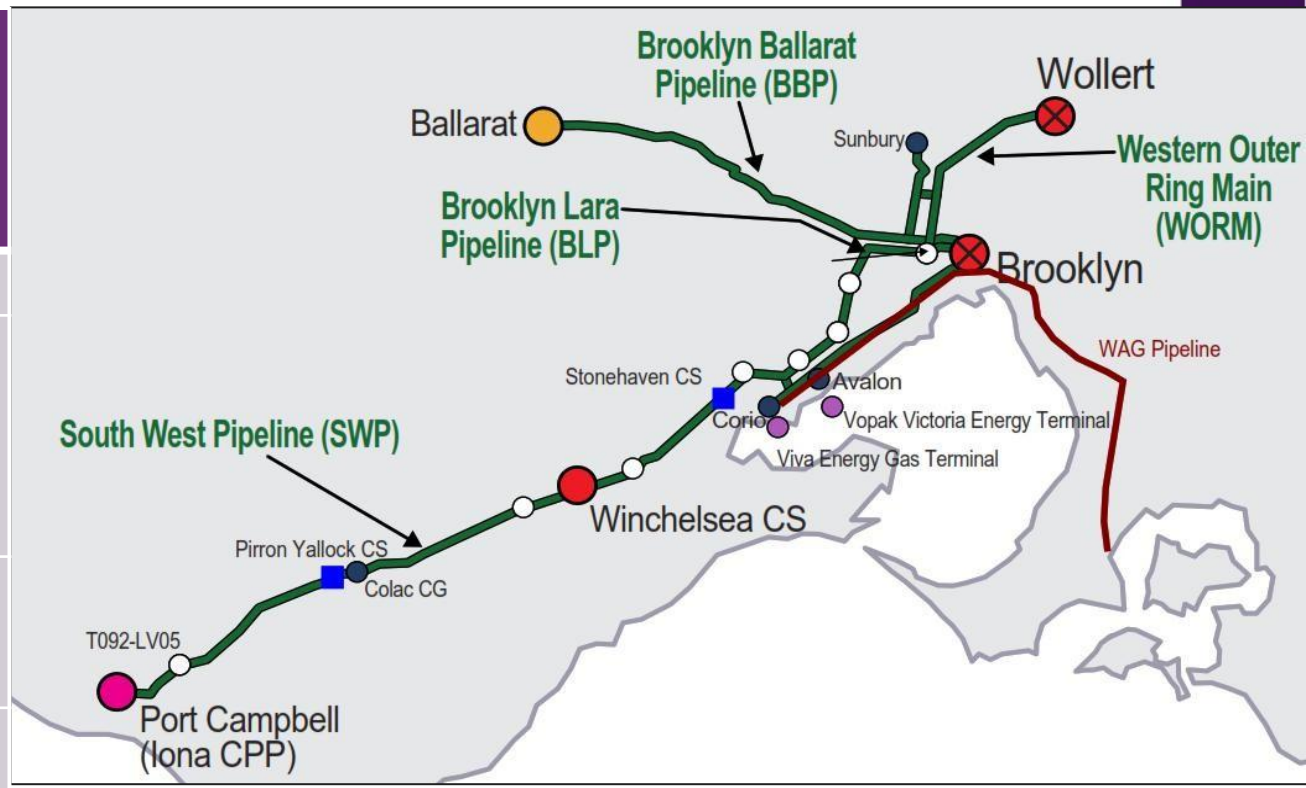
Proposed SWP expansion with compression

Option	Augmentation description	SWP capacity (TJ/d)	SWP capacity increase from existing (TJ/d)
Base	Existing Infrastructure on SWP	523	-
1	• Stonehaven CS and Irrewillipe CS • Winchelsea modification for parallel operation	615	92
2	Option 1 plus • Additional 35km looping	677	154
3	Option 2 plus • Additional 44km looping (79km total)	694	171



Proposed SWP expansion with looping

Option	Augmentation description	SWP capacity (TJ/d)	SWP capacity increase from existing (TJ/d)
Base	Existing Infrastructure on SWP	523	-
4	• 88 km of SWP looping Colac to Geelong North • Winchelsea Compressor modifications for parallel operation	615	92
5	Option 4 plus • Additional 35km looping (123km total, Port Campbell to Lara)	680	154
6	Option 5 plus • Additional 44km looping (SWP + BLP looping for 167km total)	755	232



Potential project interactions

- LMP / Gippsland
  - Golden Beach, Longtom, Manta, Trefoil, White Ibis, Wombat, and PKET
  - No interactions
- VNI
  - New gas from Beetaloo or Taroom Trough via APA's ECGG expansion stages
  - Increased interactions with backoff effect impacting at Wollert
- SWP
  - Geelong region LNG receiving terminals proposals from Viva and Vopak
  - Significant interaction
- GPG
  - Locationally dependant impact on existing and future GPG

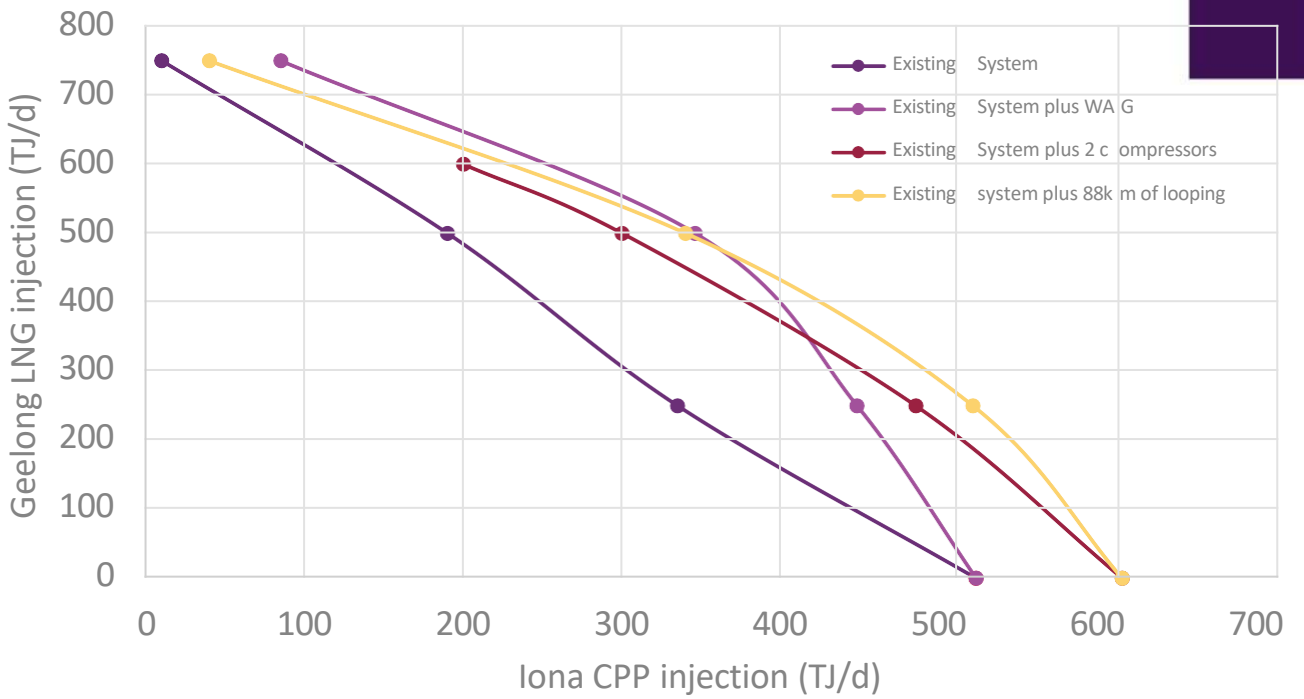
SWP / Geelong LNG terminal interaction

- If a Geelong LNG terminal connected, how do each of the options work?
- While the looping with an LNG terminal only provides ~4TJ higher maximum capacity than the compression option, the profile shape is significantly different and the Port Campbell back-off effect is significantly reduced.

Option	Augmentation description (continuation of slides 4 and 5)	SWP capacity (TJ/d)
Base	Existing system	523
7	Option 1 (2 compressors) plus: • LNG terminal	836
8	Option 7 plus: • Additional 35km looping at Lara	871
9	Option 8 plus: • Flow Segregation at Lara • Additional 44km looping between Lara & Rockbank	967
10	Option 4 (88km looping) plus: • LNG terminal	840
11	Option 10 plus: • Additional 35km looping	873
12	Option 11 plus: • Flow Segregation at Lara • Additional 44km looping between Lara & Rockbank	971

SWP / Geelong LNG terminal interaction

	Combined SWP capacity (TJ/d)	Iona CPP (TJ/d)	LNG terminal (TJ/d)
SWP with 2 x compressor option and LNG terminal	770	20	750
	670	20	650
	800	200	600
	800	300	500
	735	485	250
	615	615	0
SWP with Looping option and LNG terminal	790	40	750
	825	200	625
	840	340	500
	825	425	400
	771	521	250
	615	615	0

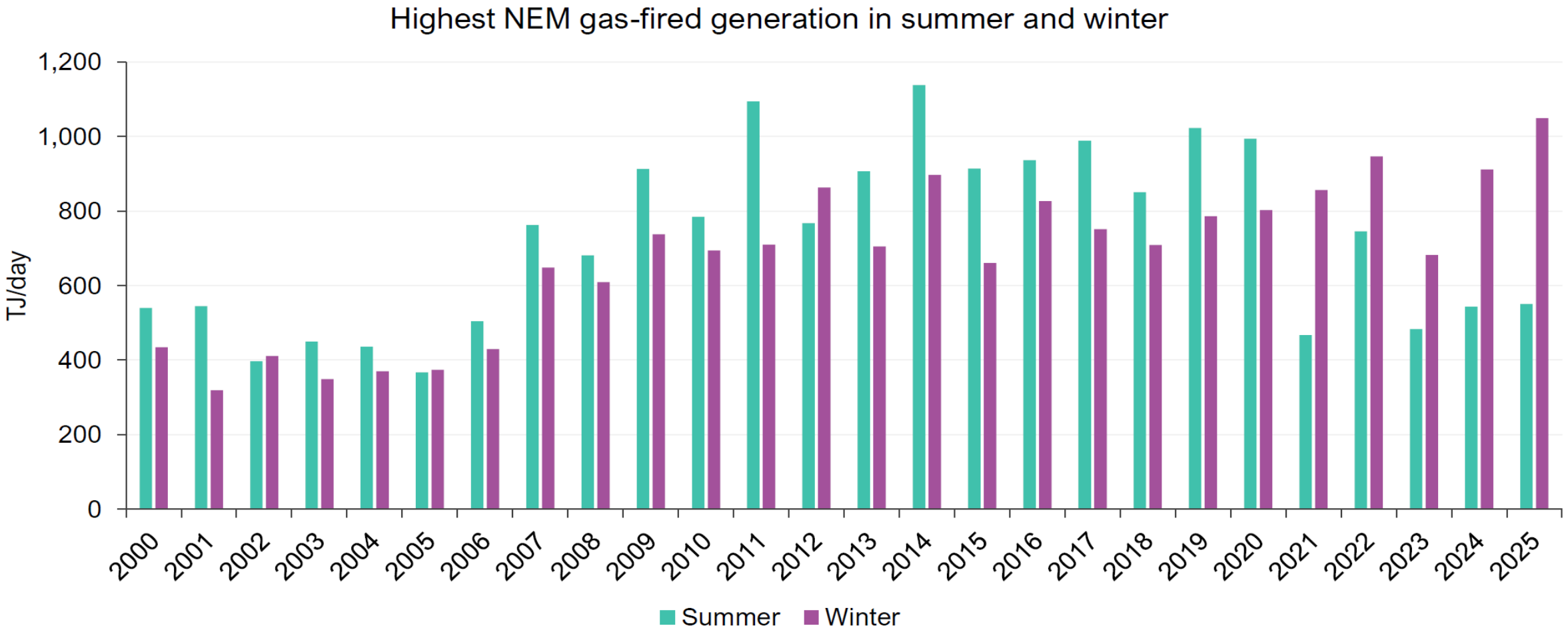


SWP / Geelong LNG terminal interaction

- A further reduction of the back-off effect impacting Iona CPP supply due to the introduction of an LNG receiving terminal can be achieved with additional pipeline looping between Lara and Brooklyn, downstream of where the LNG receiving terminal connects to the SWP / Brooklyn to Lara Pipeline (BLP).
- AEMO has modelled a full looping of the SWP (123 km from Port Campbell to Lara) and the BLP (44 km from Lara to the start of the WORM) which is modelled to increase the total combined Iona CPP and LNG receiving terminal SWP / BLP supply capacity up to 1,055 TJ/d. This is achieved with 500 TJ/d from an LNG receiving terminal and 555 TJ/d from the Iona CPP.
- The option can also be further increased with the addition of the WAG Pipeline increasing total capacity up to 1,230 TJ/d of with 615 TJ/d from LNG receiving and 615 TJ/d from Iona CPP.

NEM Peak daily GPG

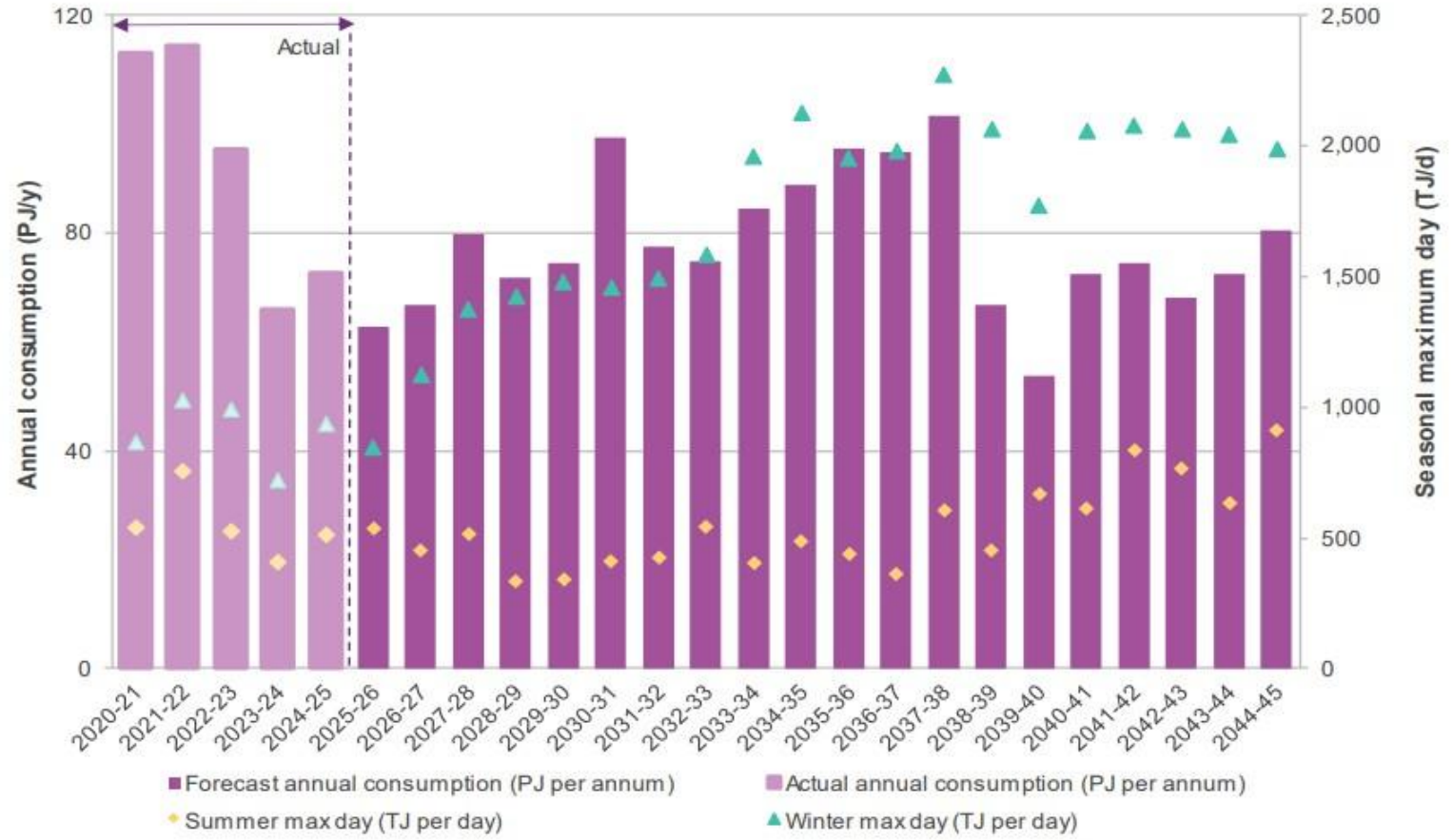
- Summer peak day GPG is decreasing while winter peak day GPG is increasing



Long term GPG forecast that winter peaks will continue to increase with new GPG required

- Peak day GPG from 2025 to 2028 forecast to increase from 1,000 to 1,500 TJ/d, then up to 2,000 TJ/d by 2035
- 2026 ISP then has a lower GPG forecast compared to 2024 ISP, from 2035 to 2045 due to extended life of coal generation in Queensland

Figure 12 Actual and forecast NEM GPG annual consumption (PJ/y) and seasonal maximum daily demand (TJ/d), *Step Change*, 2025-26 to 2044-45



Note: This forecast does not include the impact of sub-optimal management of storage technologies on GPG consumption, which is discussed in Appendix A4 (Section A4.5).

SWP / GPG interaction

- Draft ISP published 10 Dec flagging 4GW of new GPG required spread across NSW and Victoria to assist in replacing coal generation, and manage increased demand from data centres, and the electrification of transport and gas.
- ISP also flagged any existing GPG which retires would need to be replaced on a like for like MW basis, hence the numbers vary from previous ISP's as some of the older GPG retirement dates have shifted.
- For 2026 VGPR AEMO intends to produce modelling of new GPG supportability by location and potential heat maps assessing locational supportability for the ~2GW of required new Victorian GPG.

SWP / GPG interaction

- Looping supports ~40 TJ/d of additional GPG on SWP and within Melbourne zone.
- This becomes more critical as LMP injections decline.
- Benefits further increased when modelling additional looping which can support an additional GPG unit connecting to electricity terminal stations near the SWP

Option	Augmentation description	GPG demand (TJ/d)	Additional GPG demand (TJ/d)
Compression only	• Stonehaven CS and Irrewillipe CS • Winchelsea modification for parallel operation	62	0
Compression with partial looping	• Stonehaven CS and Irrewillipe CS • Winchelsea modification for parallel operation • Additional 35km looping	121	61
Partial Looping	• 88 km of SWP looping Colac to Geelong North • Winchelsea Compressor modifications for parallel operation	102	40
Full Looping	• 123 km total looping from Port Campbell to Lara CG	179	117

Looping vs Compression considerations (reliability risks)

- The Stonehaven and Irrewillipe compression option has major dependence on single large unspared compressors to provide the capacity increase.
- Frequent stop/start operation increases compressor wear and tear reducing reliability. This type of operation would be required given the forecast peakiness of GPG demand.
- While the Australian Standards do not contemplate an appropriate distance between compressor stations, in the USA the minimum distance between compressor stations is generally regarded as being 40 miles (65 km) apart[1].
- The proposal for two new compressor stations at Stonehaven and Irrewillipe would result in three compressor stations operating in series that are only 30-40 km apart.
- If one compressor in the chain trips, it could create a cascading trip of the other compressors if they cannot ramp down fast enough to adjust to the change in pressure associated with the other unit trip.
- There is also the risk of tripping the Iona gas storage facility, resulting in a possible gas supply disruption, particularly for any gas generation connected to the SWP / BLP.

1. United States Pipeline Safety Trust, Argonne National Laboratory as a U.S. Department of Energy laboratory & US Energy Information Administration, Office of Oil and Gas for Natural Gas Compressor Stations

Looping vs Compression considerations (reliability/market risks)

- The Service Envelope Agreement between APA and AEMO, covers AEMO's operation of the DTS and APA's obligations for providing the DTS gas transportation service,
- Good Practice (and Good Design Practice) comprises the provision of spare capacity equivalent to the largest duty compressor unit at each compressor station.
- Where a site does not meet Good Design Practice then the DTS SP is potentially liable for DTS SP Uplift up to a liability cap (~$1mil/p.a.) if an incident occurs which restricts injections however there is no rules-based framework for this in Gas akin to STIPUS in the NEM.

Looping vs Compression considerations (other)

- Emissions
  - Compression has increased emissions from the consumption of fuel gas as well as fugitive emissions
- Easements / EES / planning approvals / implementation time
  - Compression should be easier and faster to implement if the Victorian Government does not require an EES and/or significant planning approvals for the 20 MW of Compression
- Looping larger diameter pipe would reduce length required
  - AEMO is modelling 500mm, 600mm and 650mm to examine what can be achieved using different diameter pipe and how it impacts the length required.

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Open Q&A

Question: The 2024 and 2025 VGPR mention other pipeline options including conversion of the Westernport Altona Geelong crude oil pipeline and reversal / extension of SEA Gas to Melbourne. Presume that these other possible options could only be considered if and when put forward by those proponents via a similar process (section 80)

The AER doesn't regulate the Westernport oil pipeline nor the SEA Gas pipeline. They're not part of the VTS. It is open to the relevant pipeline owners to undertake any capex they consider appropriate.

Question: AEMO's modelling has highlighted critical impacts that require consideration. How should these findings best be integrated into our planning? Furthermore, will there be an opportunity to reflect those results from APA's perspective?

APA may submit a revised advance capex application to the AER at any time. As mentioned by Dr Kris Funston in the forum, the AER can only approve the project that was presented to the AER in the application. The AER cannot approve an alternative project. APA has advised that it is open to lodging a revised application in response to stakeholder consultation, while noting that any application needs to have strong fundamental drivers of being deemed prudent and efficient capital by the AER to support high likelihood of a successful outcome of the application. Dr Funston indicated that a revised application would likely impact the timing of the AER's final decision on the application.

Question: Would APA consider adding the example from slide 5 to their application? that better explained other possible options

AEMO has highlighted the urgent need for new supply and storage to maintain energy security in Victoria for winters 2028 and 2029.

APA's Rule 80 application proposes an option to meet Victoria's urgent need for energy security. Our application for Option 2 is a first step in a staged approach to expanding the SWP. The two-compressor option is a low-cost starting point.

Timing depends on AER approval, but our Option 2 proposal is a prudent first step towards addressing impending forecast supply gaps. The options presented on Slide 5 of the presentation may assist stakeholders in their engagement on the application to suggest a revision to the application.

Any further SWP expansion will be progressed through the VTS 2028-32 access arrangement revision process currently underway.

We are open to discussing our proposal with stakeholders.

Question: APA's information on the engagement.

APA first presented on the east coast grid augmentation options including SWP at a VTS 2028-32 access arrangement stakeholder workshop in Melbourne on 17 September 2025.

APA gave a follow-up presentation to the VTS Regulatory Reference Group on 18 November 2025.

Next steps

Meeting with the AER

- We encourage interested stakeholders who are interested in discussing APA's application to please contact ResetCoord@aer.gov.au

Submissions

- Stakeholders are invited to make a submission on APA's application by 19 January 2026
- Early submissions are welcome
- Submissions will close on **Monday, 19 January 2025** and can be emailed to ResetCoord@aer.gov.au.

Thank you for participating today